

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name	County
Audit Date	Opinion Date	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)			
Street Address		City	State
			ZIP Code
Accountant Signature <i>Abraham &amp; Alfrey, P.C.</i>		Date <i>John R. K.</i>	

**Township of Hamilton  
Gratiot County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2004**

Township of Hamilton  
Gratiot County, Michigan  
March 31, 2004  
BOARD OF TRUSTEES

Phillip Hanus	Supervisor
Marguerite Bradley	Clerk
Daniel O' Boyle	Treasurer
Cathy Miller-Ackels	Trustee
Mark Carstenson	Trustee

Township of Hamilton

TABLE OF CONTENTS

March 31, 2004

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet - All Fund Types and Account Group	2-3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund Types	5-6
Notes to General Purpose Financial Statements	7-12
SUPPLEMENTAL FINANCIAL INFORMATION	
GENERAL FUND	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	13-14
SPECIAL REVENUE FUND	
Combining Balance Sheet	15
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Fire Protection Fund	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	17
Bridge Fund	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	18
TRUST AND AGENCY FUND	
Current Tax Collections	
Statement of Changes in Assets and Liabilities	19

Principals

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Karen A. Roka, CPA  
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William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Township of Hamilton  
Ashley, Michigan

We have audited the accompanying general purpose financial statements of the Township of Hamilton, Michigan as of and for the year ended March 31, 2004, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hamilton, Michigan as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and account group financial statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Hamilton, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 9, 2005

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

Township of Hamilton

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

March 31, 2004

	Governmental Fund Types		Fiduciary Fund Types
	General	Special Revenue	Trust and Agency (Current Tax Collections)
ASSETS			
Cash	\$ 36,347	\$ 45,586	\$ 30,532
Due from other governments - local	6,509	4,662	-
Due from other funds	13,564	16,967	-
Fixed assets	-	-	-
TOTAL ASSETS	<u>\$ 56,420</u>	<u>\$ 67,215</u>	<u>\$ 30,532</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ 30,532
FUND EQUITY			
Investment in general fixed assets	-	-	-
Fund balance			
Unreserved			
Undesignated	<u>56,420</u>	<u>67,215</u>	-
TOTAL FUND EQUITY	<u>56,420</u>	<u>67,215</u>	-0-
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 56,420</u>	<u>\$ 67,215</u>	<u>\$ 30,532</u>

See accompanying notes to general purpose financial statements.

<u>Account Group</u>	
<u>General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
\$ -	\$ 112,465
-	11,171
-	30,531
<u>75,550</u>	<u>75,550</u>
<u>\$ 75,550</u>	<u>\$ 229,717</u>

\$ -	\$ 30,532
75,550	75,550
<u>-</u>	<u>123,635</u>
<u>75,550</u>	<u>199,185</u>
<u>\$ 75,550</u>	<u>\$ 229,717</u>



Township of Hamilton

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

	General	Special Revenue	Total (Memorandum Only)
REVENUES			
Taxes	\$ 17,123	\$ 21,629	\$ 38,752
Intergovernmental	43,675	-	43,675
Charges for services	4,732	-	4,732
Interest and rents	310	254	564
Other	1,671	-	1,671
TOTAL REVENUES	67,511	21,883	89,394
EXPENDITURES			
General government	33,333	-	33,333
Public safety	-	8,344	8,344
Public works	25,199	-	25,199
TOTAL EXPENDITURES	58,532	8,344	66,876
EXCESS OF REVENUES OVER EXPENDITURES	8,979	13,539	22,518
Fund balances, beginning of year	47,441	53,676	101,117
Fund balances, end of year	\$ 56,420	\$ 67,215	\$ 123,635

See accompanying notes to general purpose financial statements.

Township of Hamilton

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Year Ended March 31, 2004

	General Fund		
	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 13,700	\$ 17,123	\$ 3,423
Intergovernmental	34,000	43,675	9,675
Charges for services	1,000	4,732	3,732
Interest and rents	300	310	10
Other	1,250	1,671	421
TOTAL REVENUES	50,250	67,511	17,261
EXPENDITURES			
General government	66,116	33,333	32,783
Public safety	2,400	-	2,400
Public works	25,600	25,199	401
TOTAL EXPENDITURES	94,116	58,532	35,584
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(43,866)	8,979	52,845
Fund balances, beginning of year	47,441	47,441	-0-
Fund balances, end of year	<u>\$ 3,575</u>	<u>\$ 56,420</u>	<u>\$ 52,845</u>

See accompanying notes to general purpose financial statements.

Special Revenue Fund

Budget	Actual	Variance Favorable (Unfavorable)
\$ 51,714	\$ 21,629	\$ (30,085)
-	-	-0-
-	-	-0-
-	254	254
-	-	-0-
51,714	21,883	(29,831)
-	-	-0-
9,549	8,344	1,205
-	-	-0-
9,549	8,344	1,205
42,165	13,539	(28,626)
53,676	53,676	-0-
<u>\$ 95,841</u>	<u>\$ 67,215</u>	<u>\$ (28,626)</u>

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS, FUND TYPES, AND ACCOUNT GROUP**

Hamilton Township, Michigan, was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Gratiot County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present all financial activities of the Township of Hamilton. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the general purpose financial statements of Hamilton Township contain all the funds and account groups controlled by the Township Board.

2. Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account group reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUND TYPES

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds (Fire and Bridge) - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUND TYPES

- a. Agency Fund (Current Tax Collections) - The Agency Fund is used to account for assets held by the Township as an agent for individuals, other organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUP

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to Townships. The following is a summary of the more significant accounting policies:

1. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most State intergovernmental revenues (i.e., income taxes, sales taxes, Act 51 funds), licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The major exception to this general rule is principal and interest on general long-term debt which is recorded when due.

3. Budgets and Budgetary Accounting

The General and Special Revenue Fund's budgets shown in the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within the fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The amendments to the originally adopted budgets were not material.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Cash

Cash consists of checking and money market savings accounts.

5. Property Tax

Hamilton Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Gratiot County Treasurer on March 1. The Gratiot County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for fire operations and roads and bridges. For the year ended March 31, 2004, the Township levied 1.0149 mills per \$1,000 of assessed valuation for general governmental services, .7047 mills for fire operations, and 1.4958 mills for roads and bridges. The total taxable value for the 2003 levy for property within the Township was \$9,853,229.

6. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings including roads, bridges, streets and sidewalks, and drainage systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

7. Comparative Data

Comparative data has not been presented in the financial statements due to the Township's requirement to prepare audited financial statements only once every two (2) years.

8. Total Columns on Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash and investments at March 31, 2004, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents		
Checking accounts	\$ 66,879	\$ 67,664
Money market savings accounts	<u>45,586</u>	<u>45,586</u>
	<u>\$ 112,465</u>	<u>\$ 113,250</u>

Deposits of the Township are at federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Township. As of March 31, 2004, the Township accounts were fully insured by the FDIC.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Township of Hamilton

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General		Trust and Agency	
Current Tax Collections	\$ 13,564	Current Tax Collections	
		General	\$ 13,564
Special Revenue		Bridge	11,535
Bridge		Fire Protection	<u>5,433</u>
Current Tax Collections	11,535		
Fire Protection			
Current Tax Collections	<u>5,433</u>		
	<u>16,968</u>		
	<u>\$ 30,532</u>		<u>\$ 30,532</u>

**NOTE E: GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
Land	\$ 39,000	\$ -	\$ -	\$ 39,000
Building	32,250	-	-	32,250
Equipment	<u>4,250</u>	<u>-</u>	<u>-</u>	<u>4,250</u>
	<u>\$ 75,500</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 75,500</u>

**NOTE F: RETIREMENT PLAN**

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on the investments of those contributions. The Hamilton Township Pension Plan is administered by The Manufacturers Life Insurance Company.

The Township is required to contribute 7.5 percent of compensation paid for all eligible employees. Contributions to the pension plan by the Township for the year ended March 31, 2004, were \$2,271.

**NOTE G: RISK MANAGEMENT**

The Township also participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, auto, valuable papers and records, crime, in-land marine, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.



## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 31, 2004

**NOTE G: RISK MANAGEMENT - CONTINUED**

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

**NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the body of the general purpose financial statements, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level and the Special Revenue Fund at the total expenditure level. The approved budgets of the Township have been adopted at the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in two (2) General Fund activities in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Supervisor	\$ 6,200	\$ 7,963	\$ 1,763
Cemetery	4,100	5,047	947

**NOTE I: GASB STATEMENT NO. 34**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB No. 34 must be implemented by the Township of Hamilton no later than the fiscal year ending March 31, 2006; the retroactive reporting of infrastructures, if any, is optional to be implemented no later than the year ending March 31, 2010.

## **SUPPLEMENTAL FINANCIAL INFORMATION**

Township of Hamilton

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended March 31, 2004

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes			
Current taxes	\$ 10,800	\$ 9,976	\$ (824)
Payments in lieu of taxes	2,900	7,147	4,247
Total taxes	13,700	17,123	3,423
Intergovernmental - State			
State shared revenue	34,000	43,675	9,675
Charges for services			
Cemetery	1,000	1,720	720
Tax administrative fees	-	3,012	3,012
Total charges for services	1,000	4,732	3,732
Interest and rents			
Interest	200	85	(115)
Rents	100	225	125
Total interest and rents	300	310	10
Other revenue			
Miscellaneous	1,250	1,671	421
TOTAL REVENUES	50,250	67,511	17,261
EXPENDITURES			
General Government			
Township board	2,850	2,399	451
Supervisor	6,200	7,963	(1,763)
Elections	250	250	-0-
Clerk	4,500	4,500	-0-
Board of review	750	468	282
Treasurer	4,500	4,500	-0-
Township hall	2,944	2,371	573
Cemetery	4,100	5,047	(947)
Other			
Pension and fees	3,000	1,440	1,560
Insurance and bonds	3,000	2,863	137
Other	34,022	1,532	32,490
Total general government	66,116	33,333	32,783

Township of Hamilton

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED

Year Ended March 31, 2004

	Amended Budget	2004 Actual	Variance Favorable (Unfavorable)
EXPENDITURES - CONTINUED			
Public safety			
Fire protection	\$ 2,400	\$ -	\$ 2,400
Public works			
Road maintenance	25,600	25,199	401
TOTAL EXPENDITURES	94,116	58,532	35,584
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(43,866)	8,979	52,845
Fund balance, beginning of year	47,441	47,441	-0-
Fund balance, end of year	\$ 3,575	\$ 56,420	\$ 52,845

Hamilton Township  
Special Revenue Funds  
COMBINING BALANCE SHEET  
March 31, 2004

	Fire Protection	Bridge	Total
ASSETS			
Cash and cash equivalents	\$ 6,771	\$ 38,815	\$ 45,586
Due from other governments - local	1,493	3,169	4,662
Due from other funds	<u>5,433</u>	<u>11,534</u>	<u>16,967</u>
 TOTAL ASSETS	 <u>\$ 13,697</u>	 <u>\$ 53,518</u>	 <u>\$ 67,215</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES	\$ -	\$ -	\$ -0-
 FUND BALANCE			
Unreserved - undesignated	<u>13,697</u>	<u>53,518</u>	<u>67,215</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 13,697</u>	 <u>\$ 53,518</u>	 <u>\$ 67,215</u>

Hamilton Township

Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended March 31, 2004

	Fire Protection	Bridge	Total
REVENUES			
Taxes	\$ 6,926	\$ 14,703	\$ 21,629
Interest	43	211	254
TOTAL REVENUES	6,969	14,914	21,883
EXPENDITURES			
Public safety	8,344	-	8,344
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,375)	14,914	13,539
Fund balances, beginning of year	15,072	38,604	53,676
Fund balances, end of year	\$ 13,697	\$ 53,518	\$ 67,215

Township of Hamilton

Special Revenue Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended March 31, 2004

Fire Protection

	Budget	2004 Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 14,445	\$ 6,926	\$ (7,519)
Interest	-	43	43
TOTAL REVENUES	14,445	6,969	(7,476)
EXPENDITURES			
Public safety			
Fire protection	9,549	8,344	1,205
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,896	(1,375)	(6,271)
Fund balance, beginning of year	15,072	15,072	-0-
Fund balance, end of year	\$ 19,968	\$ 13,697	\$ (6,271)

Township of Hamilton

Special Revenue Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended March 31, 2004

Bridge

	Budget	2004 Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 37,269	\$ 14,703	\$ (22,566)
Interest	-	211	211
TOTAL REVENUES	37,269	14,914	(22,355)
EXPENDITURES	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	37,269	14,914	(22,355)
Fund balance, beginning of year	38,604	38,604	-0-
Fund balance, end of year	<u>\$ 75,873</u>	<u>\$ 53,518</u>	<u>\$ (22,355)</u>



Township of Hamilton

Agency Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2004

Current Tax Collections Fund

	Balance Apr. 1, 2003	Additions	Deductions	Balance Mar. 31, 2004
ASSETS				
Cash	\$ 3,417	\$ 188,099	\$ 160,984	\$ 30,532
LIABILITIES				
Due to other governmental units				
County	\$ -	\$ 126,619	\$ 126,619	-0-
Schools	-	32,792	32,792	-0-
Township				
General	3,417	10,147	-	13,564
Fire protection	-	5,433	-	5,433
Bridge	-	11,535	-	11,535
Due to others	-	1,573	1,573	-0-
TOTAL LIABILITIES	\$ 3,417	\$ 188,099	\$ 160,984	\$ 30,532

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

MANAGEMENT LETTER

To the Board of Trustees  
Hamilton Township  
Ashley, Michigan

Ladies/Gentlemen:

As you know, we have recently completed our audit of Hamilton Township as of and for the year ended March 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control and our discussions with management.

1. The Board should implement a double entry accounting system.

The Board's accounting system currently does not utilize a "general ledger", which would provide a double entry accounting system to help assure reconciliation and provide expense detail by program area.

We suggest the Board implement a general ledger accounting system to better account for the Board's financial activity.

2. Supporting documentation for disbursements was not properly retained.

During our testing of the disbursement process, we noted that supporting documentation for various disbursements was not retained.

We suggest that all supporting documentation is retained.

3. The Township should implement various written procedures and policies.

During discussions with management, we noted that the Township has not formally implemented written procedures and policies for several areas of operation. Specifically, we suggest the Township formally develop and implement written procedures and policies for the following:

- a. Capitalization policy - We suggest the Board of Trustees adopt a capitalization policy for fixed assets. The policy should specify criteria for capitalizing assets, including the per unit dollar value threshold for capitalizing assets.
- b. Accounting policies - We suggest the Board of Trustees adopt specific accounting policies. Accounting policies should document procedures for purchasing, procurement, accounts payable disbursements, billing, receipts, and payroll. We also suggest that the accounting policies address a formal process for adopting and amending the annual budget.

We suggest the Township review their policies and adopt and/or update them to comply with the State of Michigan requirements.

4. The Board should require two (2) signatures on checks.

During the course of our audit, it was noted that the Board does not require two (2) signatures to be present on all checks.

The main concept of internal control is to assure that no one (1) individual handles all aspects of processing a transaction. The Board's current procedure would allow one (1) individual to process a transaction.

We suggest the Board assure that all disbursements have at least two (2) authorized signers to ensure efficiency in processing transactions and to strengthen the internal control systems.

5. Budgets should be adopted for all funds and monitored and amended when necessary.

As noted in the annual financial statements, budgeted activities of the Township exceeded the amounts appropriated. The variance noted was in the General Fund.

The Michigan Public Act 621 of 1978, as amended, provides that the Township shall not incur expenditures in excess of the amounts appropriated.

We suggest the Township monitor expenditures against the adopted budget on a periodic basis, preferable monthly. Appropriate budget amendments should be made as needed.

6. Bank reconciliations should be completed in a timely manner on a monthly basis.

During our analysis of the Township's general ledger cash balances, we noted that the Township did not reconcile any of its bank accounts for the entire fiscal year.

We suggest that bank reconciliations for all bank accounts be completed in a timely manner each month to ensure the accuracy of the general ledger system and to strengthen and improve internal controls.

7. The Board should review their controls for cash receipts and cash disbursements.

During our analysis and testing of procedures, it was noted that in some instances one individual had control of an entire accounting process or function (i.e., cash receipts process, cash disbursements process, bank reconciliation responsibility, etc.). The main concept of internal controls is to assure that no one (1) individual handles all aspects of processing a transaction.

We suggest the Township evaluate all accounting processes and put controls in place to segregate duties for each process to the extent possible. Segregating duties related to accounting processes will strengthen and improve the internal control of the Township.

8. Deposits should be made in a timely manner.

During the course of the audit, it was noted that deposits were not being made in a timely manner. Instances were noted where there were several months between the time funds were received and when the Treasurer actually deposited them at the bank.

We suggest that all money received should be deposited with the bank in a timely manner. This will improve cash flows for the Township and help to strengthen internal controls over the cash receipt process to prevent misappropriation of assets.

9. The Board should review interim financial statements.

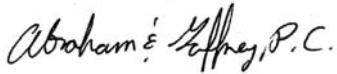
During the course of the audit, it was noted that the Board does not receive interim financial statements or budgetary comparison schedules for review throughout the year. Without this type of information it is extremely difficult for the Board to make informed financial decisions.

We suggest that the Board review interim financial statements and compare actual amounts to budgeted figures. This will improve the internal controls of the Township and will give the Board the ability to amend the budget during the fiscal year as necessary.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements and this report does not affect our report on the general purpose financial statements dated February 9, 2005.

This report is intended solely for the use of management and the Board of Trustees of the Township of Hamilton, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 9, 2005